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IN THE

Supreme Court of the United States

OCTOBER TERM, 1952.

No. 136

VAUGHAN NOVELTY MFG. CO.,
Petitioner,

vs.

G. G. GREENE MFG. CORP.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

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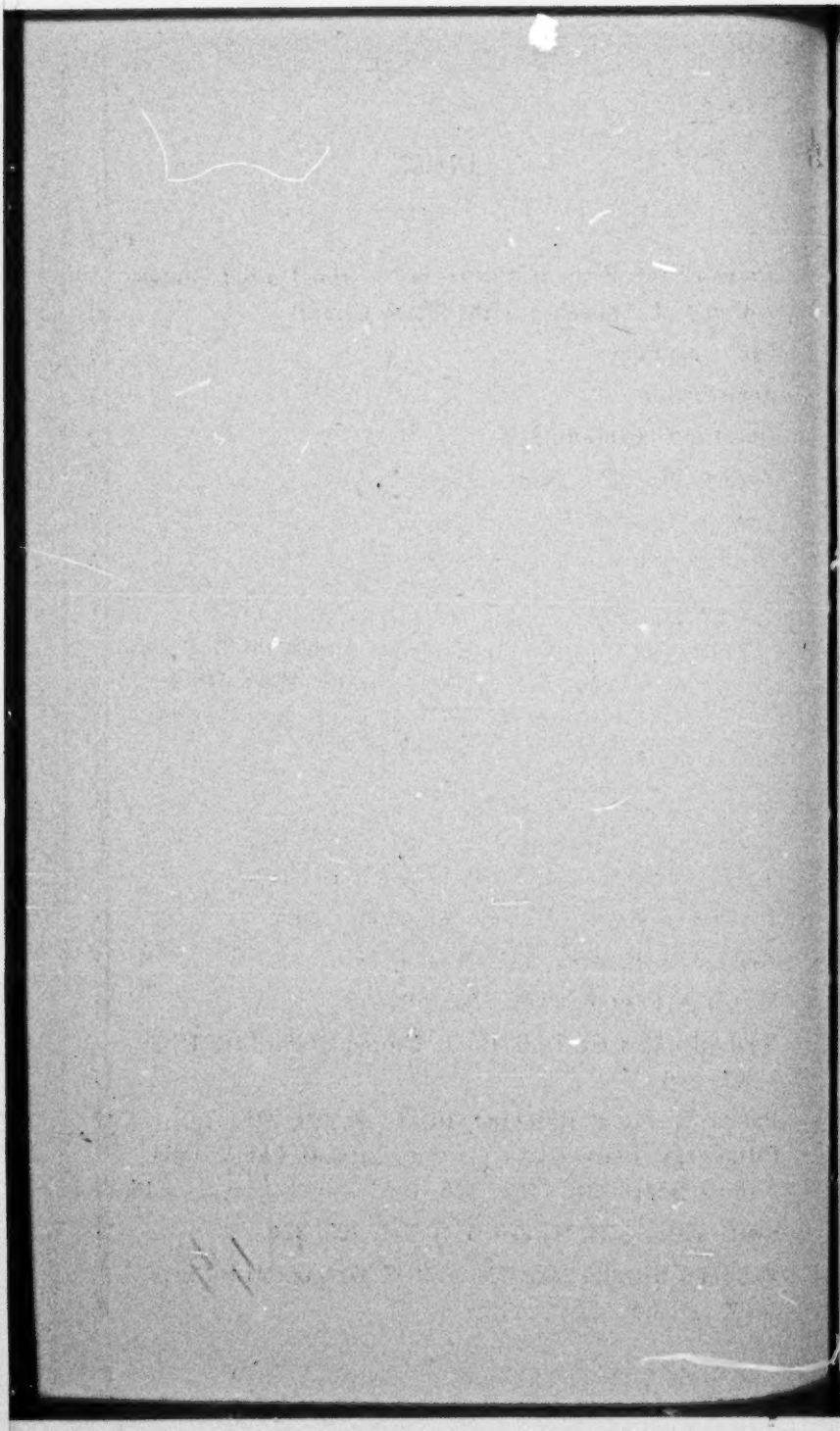

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Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

Vaughan Novelty Mfg. Co., Petitioner, prays that a Writ of Certiorari issue to review the Judgment of the United States Court of Appeals for the Third Circuit, entered in the above entitled case on February 25, 1953 and in which the Petition for Rehearing was denied on March 23, 1953.

OPINIONS BELOW.

The District Court filed no opinion but entered findings of fact and conclusions of law (R. 105) which are unreported. The opinion of the Court of Appeals for the Third Circuit (R. 131) is reported in 202 F. 2d 172.

JURISDICTION.

The Judgment of the Court of Appeals for the Third Circuit was entered February 25, 1953 (R. 139) and Peti-

tion for Rehearing was denied March 23, 1953 (R. 159). The jurisdiction of this Court is invoked under 28 U. S. Code 1254 (1), and is timely under 28 U. S. Code 2101 (c), the Petition for Rehearing in this case having been denied by the Court of Appeals for the Third Circuit on March 23, 1953.

QUESTIONS PRESENTED.

Whether a Consent Judgment between parties to an action for unfair competition may be disregarded or reworded by the courts, and whether a Petition for enforcement of a Consent Judgment may be treated as an ordinary action for unfair competition without regard to the Consent Judgment.

STATEMENT OF THE CASE.

The Petitioner is a manufacturer of can openers, bottle openers and other merchandise of similar character. It has been engaged in that business for many years and has sold many millions of its products throughout the world, more than one hundred million (100,000,000) "Safety Roll, Jr.," can openers having been made and sold since 1932. It is the biggest selling can opener in the world (R. 45). Respondent has been engaged for a relatively short period and to a relatively small degree in that business, having made only some fifteen thousand (15,000) up to November, 1951 (R. 126).

Prior to April 21, 1949, Respondent had made a can opener which was a direct copy of one of Petitioner's products but upon complaint had agreed to change the product or cease its manufacture. Shortly prior to April 21, 1949, Defendant put out a catalog (R. 7) copying photographically certain of Petitioner's products and offering them for sale as Respondent's products. One of such products was a direct copy of a patent owned by Petitioner and in the

catalog, Respondent used one of Petitioner's registered trade-marks.

A complaint was filed by Petitioner on April 21, 1949 (R. 1) charging Respondent with patent infringement, trade-mark infringement and unfair competition. The charge of unfair competition related to and included not only the catalog (R. 7), and the products copied therein but also other products made by Petitioner and copied by Respondent but not illustrated in the catalog. Among these, and of particular pertinence here, was a can opener known as "Vaughan's Safety Roll, Jr." (See and compare R. 94 and R. 100 and Plaintiff's Exhibits 2 and 3). Respondent at first made an identical copy of Petitioner's can opener and later, but before the Consent Judgment was entered, modified it slightly by cutting small notches in the wing handle and by placing its name on the handle in small letters. This opener made by Defendant was found by the District Court (R. 105) to be "substantially identical in design and dimensions" to Petitioner's product. The Court of Appeals stated that substantial identity between the products was confirmed by a mere glance at the exhibits (R. 135) and that there was confusing similarity between them (R. 135).

In 1949 and 1950, the United States District Court at Pittsburgh, Pennsylvania, where this case was pending, had a very crowded docket and a shortage of judges. Largely because of this condition existing in the Court, the parties got together and settled their differences, drawing a Consent Judgment which they signed and which was entered and approved by the district judge on April 28, 1950 (R. 9).

Under this Consent Judgment, Respondent agreed no longer to use the Plaintiff's trade-mark nor to manufacture products in infringement of Petitioner's patent and fur-

ther agreed that it would refrain from any further circulation of the catalog (R. 9). So far as Petitioner is aware, these portions of the Judgment have been complied with.

In addition, in the Consent Judgment, relative to the issues of unfair competition, Respondent agreed that it would not

> "manufacture, offer for sale or sell products copying or imitating such of the non-functional features of products manufactured by Plaintiff as have acquired generally a special significance identifying Plaintiff's products, where the copy or imitation is likely to cause prospective purchasers to regard Defendant's products as those of Plaintiff's."

The Judgment further provided that as to functional features of Plaintiff's products which

> "have acquired generally a special significance identifying Plaintiff's products, and the copying or imitating of such functional features by Defendant is likely to cause prospective purchasers to regard Defendant's products as Plaintiff's products, Defendant must take reasonable steps to prevent confusion."

It was the understanding of both parties after the entry of this Consent Judgment that if Respondent wished to manufacture a generally similar can opener that it could do so provided it made changes in its product to prevent confusion. That the parties so understood the Consent Judgment was stated both by the president of the Respondent and by Respondent's counsel, for, as stated by Respondent's counsel (R. 91):

> "I am trying to show that we attempted to live up to the letter and spirit of this agreement by making reasonable efforts to change the appearance of this can opener."

The president of the Respondent company stated (R. 21) that in discussing the Consent Judgment with the president of Petitioner, he, the Respondent's president,

said that Defendant intended to manufacture a similar opener but

> "intended to do so in a manner which would be distinctively different from the opener as manufactured by Plaintiff. * * * The Defendant has altered the design of the opener so as to give it a distinctive appearance which is apparent to anyone. I believe that the Defendant has strictly observed the letter and spirit of the Consent Judgment."

After the Consent Judgment was entered on April 28, 1950, it came to the attention of Petitioner that Respondent was continuing to make and sell its copy of Petitioner's "Safety Roll, Jr." can opener in precisely the same form and dimensions as it had been made and sold prior to the Consent Judgment.

Thereupon, Petitioner filed in the District Court a Petition for Injunction and other relief to enforce the Consent Judgment (R. 12). Evidence was taken showing that Petitioner's can opener in the specific form in which it was made had acquired a "special significance" in the industry. In addition to testimony as to worldwide sales in excess of one hundred million (100,000,000) (R. 45) such can openers and the testimony of witnesses, there was presented a bulletin issued by Defendant's distributor, Plaintiff's Exhibit 6 (R. 101) stating that Respondent's product was

> "identical to Vaughan's Safety Roll, Jr. can opener No. 170-W, except that the key has a bottle opener at each end instead of holes."

That no further description of the Vaughan opener was necessary to have its appearance and construction precisely in mind by prospective purchasers established that Petitioner's structure had "special significance" in the trade. Thus the Court of Appeals said (R. 135):

> "We will assume that the shape and size of Plaintiff's opener had acquired a special significance."

After the testimony had been concluded before the District Court, the Court held that Petitioner's petition to enforce the Consent Decree should be denied because the words "special significance" in the Consent Judgment should be interpreted as meaning the same as "secondary meaning" in the law of unfair competition (R. 107-8) and that Petitioner had not established in the Court's opinion such a "secondary meaning". The Court further held that the Respondent had in any event taken reasonable and sufficient steps to distinguish its can opener from the "Safety Roll, Jr." (R. 108). An appeal was taken from the Judgment of the District Court denying the petition to enforce the Consent Judgment. Briefs were filed and thereafter, on February 25, 1953, the United States Court of Appeals for the Third Circuit filed its Opinion (R. 131) and entered judgment affirming the District Court.

As appears from the Opinion, the Court of Appeals agreed that the District Court was completely wrong, as it was, in its assumption that there had been a change made by the Respondent in its product after the Consent Judgment was entered. No change whatsoever had been made. The Court of Appeals, however, took the position that in spite of the fact that the parties had specially selected the words "special significance" in the Consent Judgment instead of "secondary meaning", the words were not different in meaning and the case was therefore "an ordinary unfair competition case". The Court of Appeals stated that "secondary meaning" had not been established as to the form and appearance of Petitioner's product and that

> "the defendant's Chinese copy is a result of its imitation of all the functional features of Plaintiff's opener." (R. 136.)

The Court concluded that (R. 138):

> "The result is that Defendant's opener as it was

before the Decree, did not constitute an actionable imitation of Plaintiff's opener, and, thus, was not such an imitation after the Decree."

Two things are outstandingly apparent from the Findings and Conclusions entered by the District Court and from the opinion entered by the Court of Appeals. These are:

1. That even though the parties to the Consent Judgment had particularly used the words "special significance" instead of "secondary meaning" both Courts regarded themselves as free to substitute the latter phrase for the first as used by the parties to the Consent Judgment.

2. The Court of Appeals although conceding the exact similarity of the products, conceding the likelihood of confusion, assuming that the shape and size of Plaintiff's opener had acquired a special significance, and conceding that no changes had been made in Respondent's product after the Consent Judgment nevertheless felt free to disregard the Consent of the parties and proceeded to consider the case as an "ordinary case of unfair competition" and to decide that Defendant's opener was not an actionable imitation of Plaintiff's opener despite the parties' agreement thereon and the entry of the Consent Judgment.

SPECIFICATION OF ERRORS.

(1) The Court of Appeals erred in substituting the words "secondary meaning" for the words "special significance" in Sections 8 and 9 of the Consent Judgment.

(2) The Court of Appeals erred in finding and holding that the term "secondary meaning" is the full equivalent of the term "special significance".

(3) The Court of Appeals erred in disregarding the consent of the parties and treating the case presented to them as an "ordinary case of unfair competition".

(4) The Court of Appeals erred in finding and holding that all of the parts of the Petitioner's can opener which were copied by Respondent are functional.

(5) The Court of Appeals erred in holding and concluding that the Consent Judgment is merely a restatement of the common law rules covering imitation of another's goods.

(6) The Court of Appeals erred in holding and concluding that Respondent's opener did not constitute an actionable imitation of Petitioner's opener before the Consent Judgment.

(7) The Court of Appeals erred in finding and concluding that if Respondent's opener was not an actionable imitation of Plaintiff's opener before the Consent Judgment that the Consent Judgment should be disregarded and that therefore the Respondent's opener was not an actionable imitation of Petitioner's opener after the Consent Judgment.

REASONS FOR GRANTING THE WRIT.

It has long been established as fundamental law that the wording of a Consent Judgment may not be altered by any Court in any subsequent proceeding involving that Judgment without the consent of the parties. It has long been established as fundamental law that a Court has no authority or power to disregard or fail to give effect to a Consent Judgment in a subsequent action between the parties involving that Judgment unless of course some fraud or excusable mistake is shown to have induced the parties' consent.

It has long been an established and fundamental principle that the Courts as part of their judicial function should sanction and encourage the settlement of controversies between litigants, by agreement, and that Consent De-

crees and Consent Judgments fairly entered into are to be encouraged and sanctioned by the Courts and enforced by its judicial actions.

The effect of the decision by the Court of Appeals for the Third Circuit in this case is to render doubtful the meaning or enforceability of any Consent Judgment if the Courts are to be free to change the wording and meaning thereof or to disregard the consent character of the judgment, go behind the judgment and examine the facts to determine whether they would have entered a similar judgment had the case been fully heard before the Court upon its merits.

The decision by the Court of Appeals for the Third Circuit in this case is directly contrary to numerous opinions of this Court, Courts of Appeal in other circuits, and those of the highest Courts in most of the States in the United States.

It is submitted that the question involved is one of vital importance, and if doubt as to the stability of Consent Judgments is thus to be created, it is likely to result in the necessity of burdening the Courts with numerous cases which would otherwise be settled by agreement between the parties.

The decision by the Court of Appeals for the Third Circuit in effect holds Petitioner bound in its relinquishment of damages which it exchanged for a promise of freedom from unfair competition and yet renders that promise to refrain from unfair competition of no value unless the Court should subsequently find that in its opinion as well as in the opinion of the parties the acts were actually actionable unfair competition.

It is submitted that the Judgment of the Court of Appeals for the Third Circuit is so contrary to these fundamental rules and so shocking in its inequitable results that

this Court should issue its Writ of Certiorari to review the cause and to correct the errors clearly apparent in the opinion and Judgment of the Court of Appeals for the Third Circuit.

ARGUMENT.

The parties to this case agreed to settle their controversies and the Respondent as one of the considerations therefor agreed that it would not copy either the functional or non-functional characteristics of Petitioner's product where either had generally acquired special significance identifying Petitioner's products or if the copy or imitation would be likely to cause prospective purchasers to regard Respondent's products as Petitioner's produts, in which event it was agreed that Respondent must take reasonable steps to prevent confusion.

The fact of the matter is that the Court of Appeals in its opinion agrees that the products of the parties are substantially identical and that a mere glance confirms that conclusion. It agrees that the products are confusingly similar. It agrees that no changes were made in Respondent's product after the Consent Judgment was entered. It assumes that the shape and size of Petitioner's opener had acquired a special significance. We submit that, having arrived at this conclusion, the Court of Appeals could do nothing but enter an order reversing the District Court and directing the grant of such relief as would enforce the Consent Judgment.

There can be not the slightest doubt on the Record that Petitioner's product, in its form and functions, has acquired generally a special significance identifying it as the product of the Petitioner, and the Court of Appeals assumes that to be true (R. 135).

The testimony is not questioned that Petitioner's product has been sold all over the world to an extent of more than 100,000,000 units. An expert witness, not connected with

either party, but an inspector of can openers for the American Canners Institute, testified that the shape and appearance of the Vaughan Safety Roll, Jr. can opener was such that it was well known throughout the trade instantly as the product of the Petitioner. In fact, this witness testified, and it is undisputed, that articles such as those here involved are often made by a manufacturer who places the jobber's name or the customer's name on the article if they so request and that even when he saw the product made by Respondent and had the Respondent's name thereon called to his attention, that he still thought the can opener was a product of the Petitioner made for some customer (R. 66).

That it is a common practice in this trade to place on such articles the name of the jobber or customer is clearly apparent from the Respondent's own catalog, a photostatic copy of which was attached to the original Complaint (R. 7). There it may be observed that Respondent places on several of the articles illustrated the name of the customer and indeed invites that practice by using the words "copy here" on the flat side of such tools where the name of Petitioner appears on the physical exhibits here in suit.

The testimony is clear beyond question that a can opener which will function precisely in the same manner as Petitioner's "Safety Roll, Jr." can be made in numerous forms and shapes and indeed can be made in the precise form of the expired United States Patent No. 1,617,148 which Respondent of course is free to follow. That Petitioner's product had in its shape and form acquired a special significance (if not indeed a "secondary meaning") seems conclusively to be shown by the advertising bulletin of Petitioner's distributor which appears at Page 101 of the Record. This bulletin sent out to prospective customers offers the product of Respondent and does not illustrate it

or describe it in any way except by saying "identical to Vaughan's Safety Roll, Jr. can opener No. 170-W, except that the key has a bottle opener at each end instead of holes".

That the Respondent's distributor could so describe Respondent's product by merely referring to the Vaughan opener is conclusive proof, in our opinion, that to him the Vaughan opener had in its appearance and structure a special significance to any customer in the trade and to such an extent that all he needed to do to describe it fully to such customers was to mention Petitioner's name and the model number.

The establishment of "secondary meaning" for an article or a trademark or a trade name has long been bothersome in unfair competition cases. The definition of "secondary meaning" has been troublesome to the Court and many confusing opinions are present in the books relative to those words of art. At the time the Consent Judgment was entered the parties were represented by counsel who were specialists in the law of unfair competition and who were fully aware of the difficulties of defining or establishing "secondary meaning" within the scope of the conflicting opinions using those words. It was therefore decided to use the words "special significance" as being clearly understandable not only by Courts and unfair competition counsel but also by the parties themselves who were laymen in legal matters. An article which in its shape or form has a special significance to the trade is not a description which can be misunderstood unless the hope and intent of misunderstanding are present. In arriving at the use of such words, the parties and their counsel did not resort to definitions such as Sec. 741 of the Restatement of the Law of Torts referred to in the Opinion of the Court of Appeals for the Third Circuit (R. 134) and the Court cannot make that assumption. Yet, even assuming

that the parties had done so, one cannot refer to that section of the Restatement and conclude that "special significance" means the same as "secondary meaning" in the law of unfair competition. That particular section refers to trade names primarily and was probably written with the intention of resolving the confusion of opinion which is present in the books relative to the definition and proof of "secondary meaning".

Yet we do not find that since the publication of this volume of the Restatement that the Courts have abandoned "secondary meaning".

In fact the Court of Appeals "assumes" that the shape and size of Petitioner's opener has acquired a special significance, or under its own reasoning a "secondary meaning".

We submit that the parties entered into the Consent Judgment with full knowledge and expectation that the Respondent was going to make changes in its can opener if it continued to make such a product and that such changes would be such as would clearly distinguish the Respondent's products from those of the Petitioner. This the Respondent did not do. It made no change whatsoever in its goods. We respectfully submit that it necessarily follows, Respondent having continued to make the very product which it had agreed to change or discontinue, that the Petitioner is entitled to the injunctive relief for which it prayed.

THE LAW IS BASIC THAT A CONSENT JUDGMENT ENTERED IN GOOD FAITH AND WITHOUT FRAUD MUST BE ENFORCED AND RESPECTED BY THE COURTS IN THE FORM IN WHICH THE PARTIES SIGNED IT.

No one would pretend that parties by collusion could enter into an illegal or unlawful agreement presented in the form of a Consent Decree and have it signed and then contend that it had the full force and efficacy of any judg-

ment and could not be disturbed, yet nothing of that character is present in this case nor has there been any contention by the Respondent that there was any misunderstanding of the decree or any illegality or unlawful taint pertaining thereto. On the contrary, the Respondent's counsel in his statements to the District Court and the Respondent's president in his sworn statements to the District Court, both agreed that it was the very spirit and intent of the Consent Judgment that the Respondent could make can openers if it wanted to, providing it changed its product to such an extent that it would no longer be confusingly similar to that of the Petitioner.

It is undisputed that no change whatsoever was made in Respondent's product after the Consent Judgment. The continued sale of that product was clearly a violation of the Consent Judgment as the Respondent itself understood that judgment. The District Court was in error in a number of particulars when it entered its decision in this case. In the first place, the District Court in acting upon the petition entered a Judgment dismissing "the action". Of course, the District Court could not dismiss the action and vacate the Consent Judgment, for the most that he could do was deny the Petition which was pending before him. This matter was particularly called to the Court's attention (R. 110) to permit him to make the correction rather than to appeal from this erroneous action. Having had this matter called to his attention the Court vacated the order but entered a new order *nunc pro tunc,* as of the first date, although that was done 26 days later (R. 116). Had not appeal papers already been prepared, the Petitioner might well have been been denied any review of the action of the District Court since the filing of a notice of appeal from that order within thirty days was jurisdictional.

The District Court was also further of the opinion, clearly

erroneous and admitted to be erroneous by the Respondent, that the "changes" which Respondent had made in its original identical copy of Petitioner's opener were "changes" made after the Consent Judgment was entered. The facts were clear, undisputed, and repeatedly emphasized before the Court that no change whatsoever had been made in Respondent's product after the entry of the Consent Judgment.

We believe that it was entirely apparent from these errors that the District Judge did not or could not give the case careful consideration when it was before him. We do not in the slightest degree charge the District Court with any wrongdoing or willful unfairness; on the contrary, we had a high regard for the District Judge and regret that his judicial career was cut short by death, only a few months after his Judgment was entered in this case.

The error of the District Court having appeared so clearly in the Findings and Conclusions which he entered, which errors were clearly recognized by the Court of Appeals for the Third Circuit, led, we believe, to the erroneous theorizing which led the Court of Appeals ultimately to arrive at an opinion which read into the Consent Judgment words that were never present and which in effect disregard entirely the contractual character of the Consent Judgment.

That these actions were contrary to the established fundamental law prevailing not only in the Federal Courts but also in the highest Courts of the States, is apparent from numerous decisions.

There are many decisions by this Court to the effect that judgments and decrees are not subject to change or revision except under special circumstances not here present and the fact that the judgment is by consent does not alter this rule. As this Court stated in *Pittsburgh Plate*

Glass Co. v. *National Labor Relations Board*, 313 U. S. 146, 159:

> "The entry of the order upon consent does not detract from its force."

On the broader phase of the question, the decision by this Court in *Swift & Co.* v. *U. S.*, 276 U. S. 311, 323, 324, seems applicable in that opinion by Mr. Justice Brandeis:

> "The decree sought to be vacated was entered with the defendant's consent. Under the English practice a consent decree could not be set aside by appeal or bill of review, except in case of clerical error (Citing authorities.) In this Court a somewhat more liberal rule has prevailed. Decrees entered by consent have been reviewed upon appeal or bill of review where there was a claim of lack of actual consent to the decree as entered, (citing authorities); or of fraud in its procurement, (citing authorities); or that there was lack of federal jurisdiction because of the citizenship of the parties, (citing authorities). But 'a decree, which appears by the record to have been rendered by consent, is always affirmed, without considering the merits of the cause', *Nashville C. & St. L. R. Co.* v. *United States*, 113 U. S. 261, 266. * * *"

In *Pacific R. Co.* v. *Ketchum*, 101 U. S. 289, 295, this Court said:

> "If, when the case gets here, it appears that the decree appealed from was assented to by the appellant, we cannot consider any errors that may be assigned which were in law waived by the consent, but we must still receive and decide the case. If all the errors complained of come within the waiver, the decree below will be affirmed, but only after hearing."

If the parties here erroneously concluded that copying the "Safety Roll, Jr." even with the Respondent's name thereon instead of Petitioner's was actionable unfair competition, we submit that the Court could not change that without the consent of both parties. That is what the parties agreed.

As the Supreme Court of Illinois held in *Krieger* v. *Krieger*, 221 Ill. 479, 485:

> "Parties who are competent to contract may agree to the rendition of a decree in respect to any rights which may be the subject of litigation—and it cannot be appealed from nor can error be assigned upon it, for the reason that if there be error in it, the error is that of the parties and not of the court."

Again, as the highest court of Maine stated in *Berry* v. *Somerset Ry.*, 89 Maine 552, 554:

> "In absence of fraud or mistake, the Court had no more authority to change that entry, than it would have had to annul the agreement if it had been reduced to writing and signed by the parties * * *. A consent decree in equity can only be set aside by consent."

The highest court of West Virginia stated, in *Morris* v. *Peyton*, 29 W. Va. 201, 212, that a consent decree

> "cannot be modified, set aside or annulled by any order in the cause made by the Court below without the consent of all the parties * * *".

Further numerous authorities to the same effect are found in other opinions of this Court and of the highest court in nearly every state.

Yet the decision in this case not only changes the wording of the decree, but also nullifies and disregards two sections of it without the consent of the parties.

Certainly if Secs. 8 and 9 of the Consent Judgment are to be disregarded by the Court of Appeals, then the decree is changed is a most material respect. It is a drastic and ruinous result.

CONCLUSION.

For the foregoing reasons this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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June 15, 1953.

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v.

G. G. GREENE MFG. CORP., Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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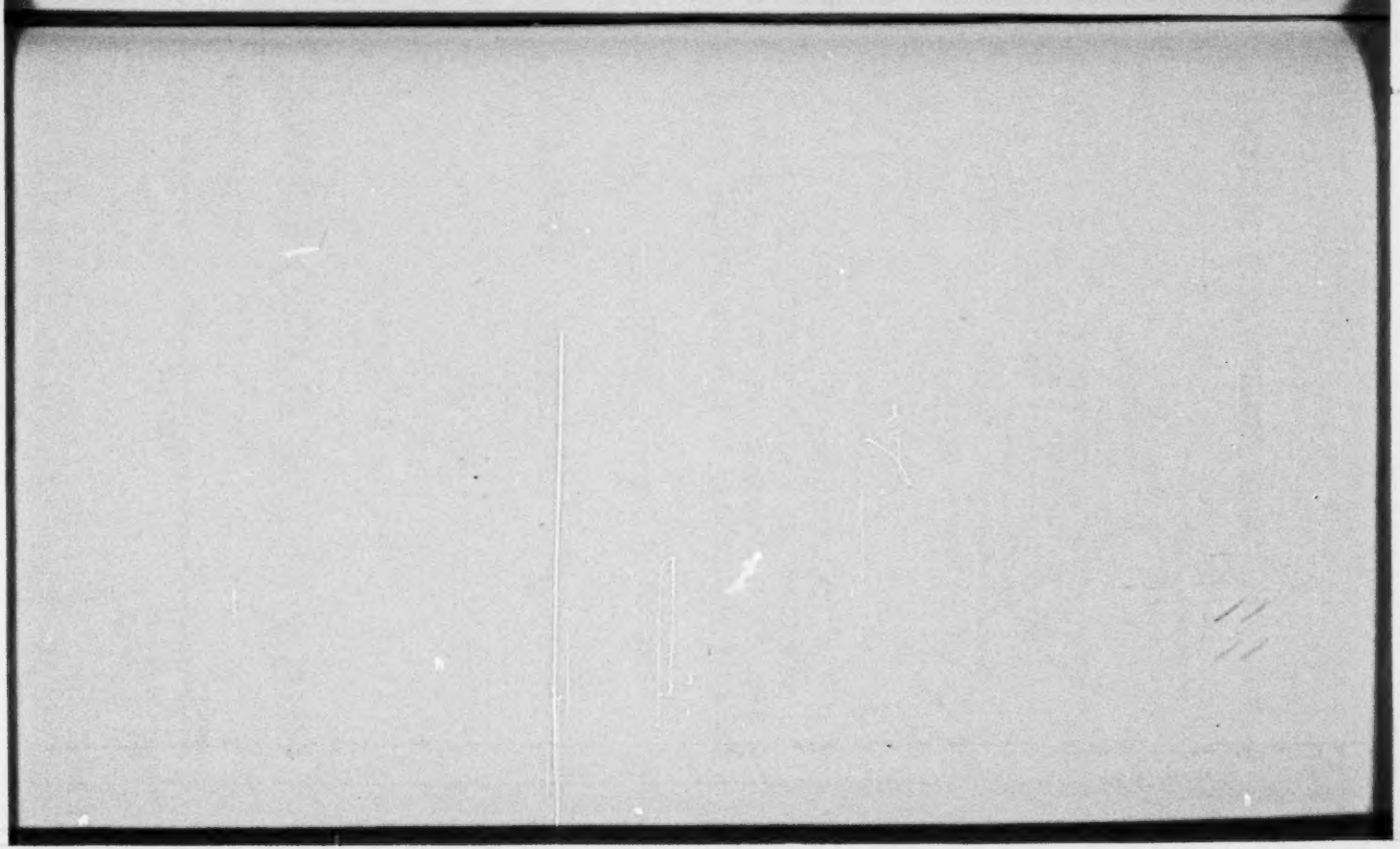

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BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

G. G. Greene Mfg. Corp., Respondent, respectfully submits its brief in opposition to the application of Petitioner for Writ of Certiorari to the Court of Appeals for the Third Circuit to review the Judgment of said Court of Appeals entered in the above entitled case.

OPINIONS BELOW

The District Court for the Western District of Pennsylvania entered findings of fact and conclusions of law (R. 105) which are reported in 105 F. Supp. 595 (1952). The opinion of the Court of Appeals for the Third Circuit (R. 131) is reported in 202 F. 2d 172 (1953).

COUNTER-STATEMENT OF CASE

Petitioner instituted an action in the United States District Court for the Western District of Pennsylvania, charging Respondent with certain acts of unfair competition and patent and trade-mark infringement. The case was not tried; instead, the parties agreed upon a Consent Judgment which was entered by the Court on April 28, 1950. (R. 9).

Subsequently on August 28, 1951, Petitioner filed a Petition (R. 12) alleging a violation of the Consent Judgment and praying for an injunction and other relief. Petitioner alleged that after entry of the Consent Judgment, Respondent had offered for sale a can opener which was identical to Petitioner's can opener and that this act violated the provisions of paragraphs 8 and 9 of the Consent Judgment. Paragraphs 8 and 9 of said Consent Judgment provide:

> "8. Defendant shall not manufacture, offer for sale, or sell products copying or imitating such of the non-functional features of products manufactured by plaintiff as have acquired generally a special significance identifying plaintiff's products, where the copy or imitation is likely to cause prospective purchasers to regard defendant's products as those of plaintiff.
>
> 9. Defendant has the right to manufacture, offer for sale, and sell products which copy and imitate the functional features of products manufactured by plaintiff, provided that such functional features are not protected by currently effective Letters Patent, and provided further that, where

the copied or imitated functional features of plaintiff's products have acquired generally a special significance identifying plaintiff's products, and the copying or imitating of such functional features by defendant is likely to cause prospective purchasers to regard defendant's products as plaintiff's products, defendant must take reasonable steps to prevent confusion."

Respondent filed an Answer (R. 15) denying that it had violated such Judgment and the matter came on for final hearing on November 26, 1951. At the pre-trial conference which preceded the hearing, Judge William Alvah Stewart, to whom the case was assigned for hearing, stated that the issue would be confined to the question of whether Respondent had violated paragraphs 8 and 9 of the Consent Judgment. (R. 127).

The testimony at the hearing disclosed that Petitioner had been making the particular type of opener involved in the action (Ex. 3; R. 38) since 1932 under a license granted to the company to make the Chase patent. The Chase patent (Ex. 4, R. 39) had been issued in 1924. Petitioner's Chief Engineer testified that he had compared Petitioner's opener with the can opener made by Respondent (Ex. 2, R. 38) and had found them identical with the exception of the winged handle and the curvature in the frame of Respondents' opener. (R. 51). The President of Respondent Company was called as a witness by Petitioner and testified that after the entry of the Consent Judgment his company made all the changes in the design of the opener that it could without increasing the cost of making the opener. (R. 57). In a deposition offered by Petitioner, a consultant for the Canner's

Institute stated that on examination he thought that "on general appearance" the two openers were identical. (R. 67).

Respondent's only witness, one of its tool and die designers, testified regarding the designs he had experimented with after the entry of the Consent Judgment and stated the reasons for discarding certain of these designs other than the one adopted. (R. 90-91).

On June 18, 1952, the District Court filed certain findings of fact and conclusions of law and entered an order dismissing Petitioner's petition (R. 105, 116). These findings of fact included *inter alia* a finding that all parts of the Petitioner's opener were functional in nature and that neither the opener or any part thereof had acquired generally a special significance identifying it as Petitioner's product. (R. 106).

The Court also found that the terms employed in the Consent Judgment were intended to be given a meaning consonant with that given them in prior cases concerning unfair competition. (R. 106).

The Court further concluded that the term "special significance" used in the Consent Judgment was equivalent to the term "secondary meaning" as used in cases dealing with unfair competition (R. 107). The Court held that Petitioner had not established that its product had acquired a special significance and for that reason Respondent had not violated the Consent Judgment (R. 108). The Court further concluded that even if a special significance had been shown, Petitioner was not entitled to relief because the steps taken by Respondent

to distinguish its product were reasonable and sufficient (R. 108).

In its opinion, filed on February 5, 1953, the Court of Appeals affirmed the order of the District Court. The Court of Appeals did not find it necessary to decide whether there was sufficient evidence to establish that Petitioner's product had acquired a special significance. The Court assumed, for purposes of its opinion, that the shape and size of Petitioner's opener had acquired a special significance (R. 135). The Court agreed that the term "special significance" as used in the Consent Judgment was equivalent to the term "secondary meaning" and that as a result the case was an ordinary unfair competition case (R. 134). The Court concluded that Respondent had taken reasonable steps to distinguish its product and that there had been no violation of the Consent Judgment, even if these steps had been taken before the Judgment was entered.

ARGUMENT

Petitioner's argument contains a single premise and Respondent agrees with such premise: That a consent judgment must be enforced and respected by the courts in the form in which the parties signed it. Respondent, however, disagrees with Petitioner's assertions that the decision of the Court of Appeals misinterprets the language of the Consent Judgment and in effect vitiates that Judgment. These assertions are apparently based on the matters set forth in Petitioner's Specification of Errors. Although these alleged errors are not discussed in Petitioner's Brief, they are considered in Respondent's argument below.

I.

The Court of Appeals Respected and Enforced the Consent Judgment

A.

THE COURT DID NOT ERR IN SPEAKING OF THIS CASE AS AN ORDINARY CASE OF UNFAIR COMPETITION.

This proceeding stems from an original action which charged Respondent *inter alia* with acts of unfair competition. The parties resolved their differences by agreeing upon a Consent Judgment which was thereupon duly entered by the District Court. In deciding the question presented by Petitioner's present action, the Court was necessarily called upon to read and construe the applicable provisions of the Consent Judgment.

A reading of Paragraph 9 of the Consent Judgment, which the Court applied in deciding this case discloses

that it contains nothing more than a restatement of certain principles of the law of unfair competition as applied to the copying of functional features of unpatented articles. Paragraph 9 recognizes the right of Respondent to copy functional features of Petitioner's articles. The provision that Respondent must take reasonable steps to prevent confusion where Petitioner's articles have acquired a special significance identifying them as Petitioner's products is a familiar principle of the law of unfair competition. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938); *J. C. Penney Co. v. H. D. Lee Mercantile Co.*, 120 F. 2d 949 (8th Cir. 1941). This principle is stated in Restatement of Law, Torts, Sec. 741, whose language closely parallels the language of the Consent Judgment:

> "One who markets goods, the physical appearance of which is a copy or imitation of the physical appearance of the goods of which another is the initial distributor, markets them with an unprivileged imitation, under the rule stated in § 711, if his goods are of the same class as those of the other and are sold in a market in which the other's interest is protected, and
>
> * * * * * * *
>
> (b) The copied or imitated feature has acquired generally in the market a special significance identifying the other's goods, and
>
> (i) The copy or imitation is likely to cause prospective purchasers to regard his goods as those of the other, and
>
> (ii) The copied or imitated feature is nonfunctional, or, if it is functional, he does

not take reasonable steps to inform prospective purchasers that the goods which he markets are not those of the other."

It was proper, therefore, for the Court of Appeals to speak of this case as an ordinary case of unfair competition. Its purpose in so speaking was to point out that the Petitioner, in order to make out a case, would have had to show the Court the same combination of facts and conduct to prove a violation of the Consent Judgment as would have had to be shown to make out an ordinary case of unfair competition. When read in context the statement of the Court of Appeals (R. 134) does not even suggest that such a classification is intended to alter this action from an action on a Consent Judgment to an action sounding in tort. The principles of law set forth in the Consent Judgment are the same as the principles of law in unfair competition cases at the time of entry of the Consent Judgment, and that is all that is meant by the Court's statement.

B.

THE COURT DID NOT ERR IN SPEAKING OF THE TERM "SPECIAL SIGNIFICANCE" AS BEING COMPARABLE TO THE TERM "SECONDARY MEANING."

When the Court of Appeals stated that the term "special significance" as used in the Consent Judgment had the same content as the term "secondary meaning" (R. 134) it was pointing out that the principle underlying the protection of good will attaching to a trade name, referred to as "secondary meaning", is also applicable to the protection of the physical appearance of a person's goods. The courts have noted this relationship before. *American Fork & Hoe Co. v. Stampit Corpora-*

tion, 125 F. 2d 472, 475 (6th Cir. 1942). Judge Johnson in *J. C. Penney Co. v. H. D. Lee Mercantile Co.,* 120 F. 2d 949, 956 (8th Cir. 1941), speaking of the physical appearance of goods, said:

> "Where, however, such features have acquired a special significance as an indication of the source of the goods,—commonly referred to as a 'secondary meaning'—and it appears that other reasonable steps can practicably be taken to distinguish the goods in a particular case, the court obviously may require that this be done."

Petitioner has not indicated in any proceeding before the Courts below or in its argument to this Court what further content the phrase "special significance identifying the plaintiff's products" has beyond the recognition of an interest in the appearance of a product where the public has come to identify it as originating from a particular source. The language of the Consent Judgment is clearly directed to that situation and represents no departure from that phase of the law of unfair competition or from the intent of the Consent Judgment.

C.

THE COURT PROPERLY CONCLUDED THAT PARAGRAPHS 8 AND 9 OF THE CONSENT JUDGMENT MERELY RESTATED EXISTING PRINCIPLES OF LAW REGARDING THE IMITATION OF ANOTHER'S GOODS.

It is clear, Respondent submits, that Paragraphs 8 and 9 of the Consent Judgment contain a concise statement of the law of unfair competition concerning confusion of source by imitation of the physical appearance of another's goods. The language not only reflects the

language of Section 741 of the Restatement of Law, Torts, *supra,* but accords with the decisions dealing with this phase of the law of unfair competition. *Kellogg Co. v. National Biscuit Co.,* 305 U.S. 111 (1938).

It is reasonable to assume that parties framing a Consent Judgment would give due consideration to judicially recognized principles of law applicable to the situation. One would expect that any departure from the appropriate rules of law would be spelled out in the language of the judgment. Where, as in this case, the language of the Consent Judgment reflects certain rules of law recognized by the courts at the time the Judgment was entered, it would certainly be correct for a court construing such Judgment to conclude that it restated certain recognized principles of law. That is all that the Court of Appeals has said in this case. If the Court erred in making such a statement, it would be incumbent upon Petitioner to cite some authority to demonstrate that error. This has not been done.

II.

The Court of Appeals Correctly Held That the Copied Features of Petitioner's Opener Were Functional.

Paragraph 9 of the Consent Judgment (R. 10) is concerned with the copying of functional features of petitioner's product. Petitioner claims that it was error for the Court of Appeals to hold that the features of its can opener which Respondent copied were functional. Restatement of Law, Torts, Section 742 defines functional features as follows:

> "A feature of goods is functional, * * * if it affects their purpose, action or performance, or the

facility or economy of processing, handling or using them; * * *."

Examples of features held to be functional are indicated in a few of cases cited by the Court of Appeals (R. 136, n. 10). *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122 (1938) (pillow-like shape of a shredded wheat biscuit); *Smith, Kline & French Laboratories v. Clark & Clark*, 157 F. 2d 725 (3rd Cir. 1946) cert. denied, 329 U.S. 796 (1946) (Scoring on pills to make breaking easier; concave bottom, beveled edges and white color); *J. C. Penney v. H. D. Lee Mercantile Co.*, 120 F. 2d 949, 954, (8th Cir. 1941) (shape of an overall pocket is functional when it helps lessen accumulation of dirt). These cases hold that size, shape and appearance of an article are functional. A mere inspection of the features of the can openers in this case shows that their size, shape and appearance affect their purpose or performance. The testimony of Respondent's witness shows that even the design of the handle of the opener affects the facility or economy of processing or using the opener. (R. 91).

As the Court of Appeals noted, (R. 135) Petitioner has not questioned the conclusion that the various parts of its can opening were functional in any proceeding below. Furthermore, Petitioner has not indicated in its argument to this Court what features, if any, of its opener here involved are non-functional. In view of the decisions above and the absence of any argument by Petitioner, Respondent submits, that the Court of Appeals properly treated the copied features as functional.

III.

The Court of Appeals Did Not Err in Holding That an Imitation Which Was Not Actionable Before the Consent Judgment Was Not Actionable After the Judgment.

Petitioner argues that the Consent Judgment required the Respondent to make changes in the design of its can opener. The record shows that Respondent did make changes in its opener after the Judgment had been entered by putting bottle openers on the wing handle. At the hearing, Petitioners counsel admitted that this much had been done. (R. 85, 88). Assuming for the purpose of this argument however, that Respondent manufactured and offered for sale the can opener, which was the subject matter of this proceeding (Ex. 2) prior to the Consent Judgment, nothing in language of the Judgment would restrict it from continuing to do so after the Judgment.

The Judgment, as shown above, invoked certain principles of the law of unfair competition to regulate the activities of Respondent with respect to the imitation of a number of articles manufactured by Petitioner. The language of Paragraph 8 and 9 is general in its application and is not restricted to any particular article, such as the opener (Ex. 2). It recognized certain rights and duties on the part of Petitioner, among which was the already existing right to copy functional features of unpatented articles. To the extent therefore that Respondent had exercised its right to copy such features before the Judgment, its right was recognized and confirmed by Petitioner in the Consent Judgment.

Respondent certainly did not give up its right to copy those features by signing the Consent Judgment and Petitioner cannot argue that the Consent Judgment imposed any duties other than those which Respondent previously had. By arguing that Respondent's failure to make any change in its opener constituted a violation of the Consent Judgment Petitioner commits the very error which it has charged against the Court of Appeals. Such a construction of the Consent Judgment would emasculate the clear language of that document.

Respondent submits therefore that the Court of Appeals for the Third Circuit did not err in its decision and judgment in this case, but respected and confirmed the Consent Judgment. There is no difference of view between the parties as to the purpose and effect of a consent judgment. All that is in question is the interpretation of certain language used in such a judgment, and whether Respondent was obligated to and did take reasonable steps to prevent confusion as to the source of its can opener.

No special or important reason has been presented by Petitioner which would warrant the granting of the writ of certiorari. The decision and judgment of the Court of Appeals is not in conflict with any decisions of any court of another circuit, with applicable state and district court decisions, or with the decisions of this court.

Moreover, although this case was cognizable under the jurisdiction of the federal courts, it is not one of great significance but represents at most a dispute be-

tween two litigants over the interpretation of a Consent Judgment. No important question is presented which ought to be decided by this Court.

The petition for writ of certiorari should be denied.

Respectfully submitted,

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1953.

No. 136

VAUGHAN NOVELTY MFG. CO.,
Petitioner,

vs.

G. G. GREENE MFG. CORP.,
Respondent.

PETITIONER'S REPLY BRIEF.

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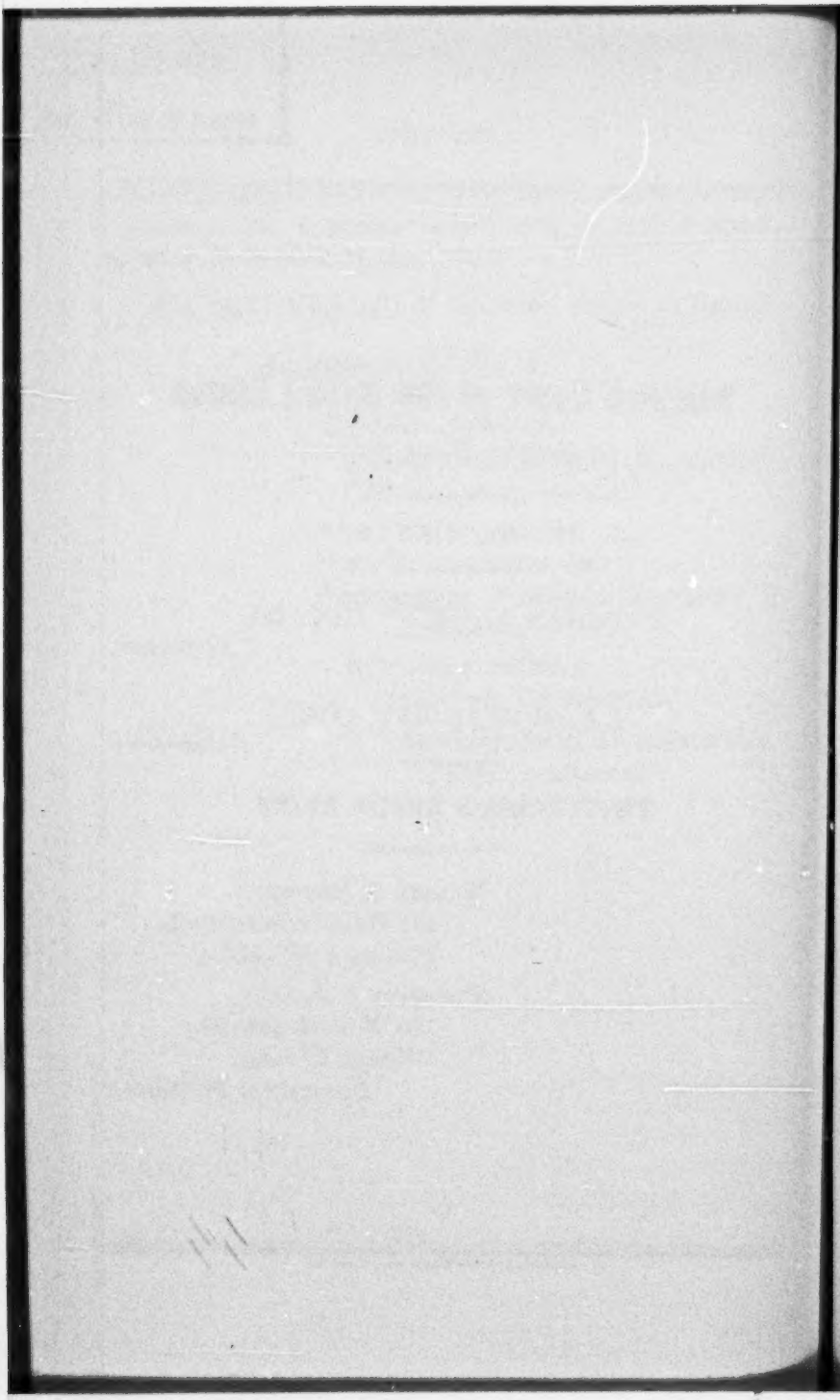

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PETITIONER'S REPLY BRIEF.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

Respondent's brief misstates certain important matters material to a consideration of the petition.

Relative to the Chase Patent.

The Chase patent referred to by Respondent expired in 1941. The opener disclosed therein (R. 95) is different in design and construction in every element from that of Petitioner's product (R. 69-75). Even though the Chase structure is open and available to the Respondent it chooses to copy precisely Petitioner's product and not that shown in the Chase patent. Indeed the Respondent's designer was never shown and never saw the Chase patent (R. 91).

There are therefore no similarities in this case to that of

the *Shredded Wheat Case,* 305 U. S. 111, or of the *Singer Case,* 163 U. S. 169, wherein the form and shape of the articles became open to the public upon patent expiration. Here, we agree that Respondent is free to make the opener of the expired Chase patent but it does not choose to do so, preferring instead to copy in the most minute detail Petitioner's product. We submit that the very fact that the Chase patent shows one wholly satisfactory form of the article, and that each element thereof differs in form and appearance from that of Petitioner's opener (R. 52) is clear, positive proof that the appearance of Petitioner's product is not functional.

Respondent's argument as to the meaning of "functional" would prohibit any feature of any useful article from coming within Section 8 of the Consent Judgment. Clearly the parties could not have intended Section 8 of the Judgment to be without meaning. Yet if "functional" means that which Respondent urges then what could possibly be non-functional? The argument in essence is that any feature is "functional" and cannot be "non-functional" if it performs any useful purpose. That conclusion cannot be true. The parties intended Section 8 to mean that Respondent would not copy non-functional features such as the shape of a handle, when in another form its *function* as a handle could be performed just as well.

Respondent Made No Change in Its Copy of Petitioner's Opener After the Consent Judgment.

Respondent's counter-statement says that it "made all the changes in the design of the opener that it could without increasing the cost of making the opener" (Br. 3). The change of a single die would involve a few dollars cost and therefore in Respondent's view would increase cost. The Consent Judgment did not provide that Defendant

would be excused from performance if it cost anything to perform. On the contrary, it was contemplated that a change would be made and any change costs something.

At page 4 of its brief Respondent refers to "the steps taken by Respondent to distinguish its product". At page 12 of its brief Respondent says that "the record shows that Respondent did make changes in its opener after the Judgment had been entered by putting bottle openers on the wing handle" and says that Petitioner's counsel admitted this had been done. That was Plaintiff's belief at the outset because Defendant stated informally that that was the case. But the proof showed that there was *no change of any kind made* after the Judgment was entered.

The proofs showed that the "changes in design" "attempted" by Respondent after the Judgment of April 28, 1950 were rough sketches A, B and C and that not one of these *was ever adopted for production* (R. 90, 91).

Respondent misleads the Court when it states that the expert witness, Mr. Pereira, merely stated that "He thought that 'on general appearance' the two openers were identical" (Br. 4). The fact is that this witness took each and every element of the can opener of the Chase patent, the "Safety Roll Jr." can opener made by Petitioner and the copy thereof made by Respondent and pointed out that each element of the Petitioner's and Respondent's openers were identical and that each element differed specifically from each corresponding element of the Chase patent (R. 69-75).

Respondent also makes a misleading statement (Br. 4) when it says that its tool designer "testified regarding the designs he had experimented with after the entry of the Consent Judgment and stated the reasons for discarding certain of these designs other than the one adopted". The fact is that this witness testified that he made several

designs in an attempt to alter the appearance of Respondent's can opener and that none of these designs made by him were ever adopted by Respondent which instead continued to manufacture precisely the same opener as it had before entry of the Consent Judgment (R. 90-91).

Mr. Greene, president of Respondent, testified that the only differences between Respondent's opener and the Petitioner's product are "micrometer differences in size—the normal public would not notice any difference—to the naked eye" (R. 57). He pointed to no structural changes made after the judgment (R. 56), for there was no change.

Finally the Biddle Bulletin (R. 101) was established by proof. Biddle was a distributor of Respondent's products. His bulletin of April 17, 1950, put out eleven days *before* the Consent Judgment exactly describes the opener complained of, Pl. Ex. 2. So the fact is that there were no changes whatsoever after the Consent Judgment.

The importance of these facts is that Respondent admits that it understood that the Consent Judgment required a distinguishing change to be made in its product. Mr. Greene so stated (R. 21) and the answer to the Petition herein "avers that in conformity with—the consent decree" it "altered the design and appearance of the can opener" (R. 19). This was proved untrue. No alteration or change whatsoever was made.

In view of these facts and these averments any effort by Respondent now to give this Court any impression that there was any change whatsoever made by it to comply with the Consent Judgment is misleading.

Petitioner Has at All Times Contended That the Precise Shape of Each Element of Its Product Is Non-Functional.

Respondent, in its argument, Page 11, repeats the error made by the Court of Appeals that the Petitioner has never questioned the conclusion that the various parts of its can opener are merely functional.

Petitioner at all times has contended that there has been nothing functional about the precise shape of the elements of its opener. It urged before the District Court that Paragraph 8 of the Consent Judgment was in issue and the District Court expressly so held (R. 106). That the same was argued before the Court of Appeals appears expressly in the record (R. 148). We concede that in an ordinary case of unfair competition, the copying of a device may not be actionable whether the elements thereof are functional or non-functional, in the absence of proof of secondary meaning. Even in cases where secondary meaning is established, we concede that one who has the right to make an article which will perform a certain function necessarily has the right to make such parts in the form necessary for that purpose. If a cam in a particular shape is required, then the shape of that cam is necessarily functional. However, when an element can be made in any one of a number of different forms and still perform the function required of it, then it seems just as clear and obvious that the shape of such element is not in itself functional. It was clearly upon that basis that the parties entered into the Consent Judgment distinguishing as they did between functional and non-functional characteristics in Sections 8 and 9. There was never the slightest doubt that the parties knew that the goods involved were not decorative or artistic productions but were useful products. Both parties knew at the time the Consent Judgment was signed that the particular tools involved all served a useful purpose. Yet the

very fact that they did distinguish as they did in the separate paragraphs 8 and 9 proves beyond question in our mind that the parties agreed that non-functional characteristics such as shape and appearance which were not essential to operation should be classed as non-functional and therefore come within the terms of paragraph 8 of the Consent Judgment.

The Court of Appeals' error in considering the case as an ordinary case of unfair competition necessarily resulted in a complete disregard of the agreement between the parties.

When the Court of Appeals said in its Opinion in this case that "This is an ordinary unfair competition case" (R. 134) they did thereby disregard the Consent nature of the Judgment and the fact that the action was actually one speaking in contract rather than in tort.

Under the rules applicable to ordinary cases of unfair competition, one manufacturer has the right to copy either essential or non-essential details of an unpatented article so long as he clearly marks the product as manufactured by him rather than permit it to be confused by anyone as a product of the other party. See *Pope* v. *McCrum-Howell*, 191 F. 979 (C. C. A. 7); *Estate Stove Co.* v. *Gray & Dudley*, 41 F. 2d 462 (C. C. A. 6); and *Flagg* v. *Holway*, 178 Mass. 83. It was to avoid the limitations of just such decisions that the parties entered into the Consent Judgment in this case.

The whole sum and substance of the Consent Judgment in so far as the present issues are concerned was that Respondent agreed not to copy Petitioner's can opener or other products in either functional or non-functional characterisfics if they had special significance, which the Court of Appeals concedes, and the proofs establish, in return for

which Petitioner agreed that it would waive damages for the other acts of unfair competition, patent infringement and trade-mark infringement which Respondent had confessed. Petitioner has fully performed its part of the bargain.

The case therefore must be treated as one arising under contract and not "an ordinary unfair competition case" which the Court of Appeals for the Third Circuit did, thereby ignoring the contractual nature of the Consent Judgment.

Respondent Belittles the Significance of This Case But Carefully Avoids the Deep Significance of the Principles Involved.

Respondent at the close of its brief urges that this case is not one of great significance but is merely a dispute between two litigants. Of course, every case which comes before this Court does involve only a few parties as compared with the population of this country. It can hardly be said, however, that the principle involved in this case is not of great significance. The Court of Appeals in this case clearly disregarded the fact that the Decree in this case was one entered by consent and tested the Decree as an ordinary unfair competition case contested and decided by the trial court. If an appellate court or a trial court can disregard a Consent Judgment and upon any later proceeding therein test the validity of that Judgment in the same way that it might have in a contest, then litigants and lawyers must be well warned and wary of settling disputes and disposing of litigation by agreement. The effect of sanctioning such principles could result only in throwing great trial burdens upon the courts and tremendously greater expense upon litigants.

We respectfully submit that the principle involved in this case is of great importance and the Petition for Certiorari should be granted.

Respectfully,

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